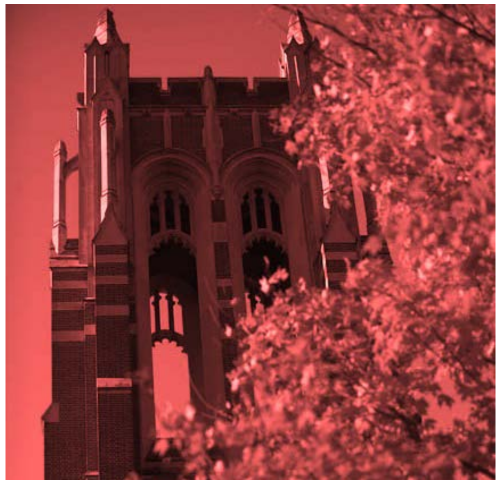


UNIVERSITY OF RICHMOND

Consolidated Financial Statements

June 30, 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Trustees
University of Richmond:

We have audited the accompanying consolidated financial statements of University of Richmond, which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Richmond as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, University of Richmond adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited University of Richmond's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 11, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated Statement of Financial Position

As of June 30, 2018

With comparative financial information as of June 30, 2017
(in thousands)

	2018	2017
Assets		
Cash and cash equivalents	$ 56,396	88,545
Pledges receivable, net	9,638	9,915
Investments	2,597,295	2,405,992
Beneficial interest in perpetual trusts	29,783	28,740
Other assets, net	29,223	30,842
Property, plant and equipment, net	341,474	334,195
Total assets	**$ 3,063,809**	**2,898,229**
Liabilities		
Accounts payable and other liabilities	$ 85,471	66,696
Postretirement benefits	17,196	18,984
Notes payable	237,971	240,741
Interest rate swap agreements	18,775	24,580
Total liabilities	**359,413**	**351,001**
Net assets		
Without donor restrictions	1,370,736	1,288,345
With donor restrictions	1,333,660	1,258,883
Total net assets	**2,704,396**	**2,547,228**
Total liabilities and net assets	**$ 3,063,809**	**2,898,229**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2018

With summarized comparative financial information for the year ended June 30, 2017
(in thousands)

	2018			
	Without donor restrictions	With donor restrictions	Total	2017 Total
Operating revenues				
Tuition and fees	$ 191,730	—	191,730	188,197
Less scholarship allowance	(83,329)	—	(83,329)	(78,437)
Net tuition and fees	108,401	—	108,401	109,760
Grants and contracts	3,318	—	3,318	3,914
Contributions	7,164	4,270	11,434	9,892
Investment return, net	112,306	3,066	115,372	110,810
Auxiliary enterprises	41,799	—	41,799	41,432
Other sources	28,585	—	28,585	29,142
Net assets released from restrictions	2,133	(2,133)	—	—
Total operating revenues	**303,706**	**5,203**	**308,909**	**304,950**
Operating expenses				
Instruction	85,983	—	85,983	83,534
Research	5,001	—	5,001	5,157
Public service	3,725	—	3,725	3,881
Academic support and libraries	49,826	—	49,826	47,496
Student services	50,083	—	50,083	48,670
Institutional support	50,620	—	50,620	46,767
Auxiliary enterprises	49,981	—	49,981	48,265
Total operating expenses	**295,219**	**—**	**295,219**	**283,770**
Change in net assets from operating activities	**8,487**	**5,203**	**13,690**	**21,180**
Nonoperating activities				
Contributions	—	8,615	8,615	5,757
Investment return, net	61,069	65,110	126,179	172,574
Change in fair value of interest rate swap agreements	5,805	—	5,805	9,841
Change in postretirement benefits	2,559	—	2,559	1,234
Other nonoperating activities, net	260	60	320	(7,906)
Net assets released from restrictions	4,211	(4,211)	—	—
Change in net assets from nonoperating activities	**73,904**	**69,574**	**143,478**	**181,500**
Change in net assets	**82,391**	**74,777**	**157,168**	**202,680**
Net assets at beginning of year	**1,288,345**	**1,258,883**	**2,547,228**	**2,344,548**
Net assets at end of year	**$ 1,370,736**	**1,333,660**	**2,704,396**	**2,547,228**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2018

With comparative financial information for the year ended June 30, 2017
(in thousands)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 157,168	202,680
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	27,730	25,871
Net unrealized and realized gains on investments	(246,398)	(276,732)
Settlement value for rate of return agreement	27,326	10,432
Loss on sale of land and building	—	5,367
Amortization of note premiums	(495)	(552)
Contributions restricted for purchase of property and equipment	(3,866)	(122)
Contributions restricted for endowment	(6,749)	(3,916)
Change in fair value of interest rate swap agreements	(5,805)	(9,841)
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	277	3,541
Beneficial interest in perpetual trusts	(1,043)	(1,879)
Other assets, net	1,619	17,030
Accounts payable and other liabilities	(7,916)	18,540
Postretirement benefits	(1,788)	(421)
Net cash used in operating activities	**(59,940)**	**(10,002)**
Cash flows from investing activities		
Proceeds from sales of investments	531,233	635,547
Purchases of investments	(476,138)	(607,555)
Proceeds from sale of property, plant and equipment	—	20,800
Purchases of property, plant and equipment	(35,644)	(33,792)
Net cash provided by investing activities	**19,451**	**15,000**
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	3,866	122
Contributions restricted for endowment	6,749	3,916
Repayment of notes payable	(2,275)	(2,170)
Net cash provided by financing activities	**8,340**	**1,868**
Net (decrease) increase in cash and cash equivalents	(32,149)	6,866
Cash and cash equivalents at beginning of year	88,545	81,679
Cash and cash equivalents at end of year	**$ 56,396**	**88,545**
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	$ 8,415	9,510
Cash paid for income taxes	75	3,949
Change in property, plant and equipment related to accounts payable	(635)	1,051

See accompanying notes to the consolidated financial statements.

1 Organization & Summary of Significant Accounting Policies

Organization

The University of Richmond (the University) is a private institution of higher education located in Richmond, Virginia that provides a collaborative learning and research environment to students and professionals through a combination of liberal arts, law, business, leadership studies and continuing education.

Spider Management Company, LLC (SMC), a wholly controlled affiliate of the University of Richmond, provides investment research, advice, counsel and management with respect to the University of Richmond's endowment assets. The Richmond Fund Management Company, LLC (RFMC), a wholly controlled affiliate of SMC, is the general partner of the Richmond Fund, LP (Richmond Fund) and is managed by SMC's Board of Managers. The Richmond Fund is an investment limited partnership that provides a vehicle for unaffiliated 501(c) organizations to achieve investment returns that mirror the investment returns of the University of Richmond's endowment. As discussed later in this note, the Richmond Fund is no longer consolidated in these financial statements.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and significant intercompany balances and transactions have been eliminated in consolidation.

The assets and liabilities in the consolidated statement of financial position are presented in order of liquidity with the exception of investments, which have certain components that are considered short term and others that are considered long term.

The University classifies revenues earned and expenses incurred related to its core missions of teaching, research, scholarship and service, and investment returns made available for current use as operating revenues or expenses in the consolidated statement of activities. All other activities, including contributions restricted by donors or designated for longer term use by the Board of Trustees (the Board), are shown as a component of nonoperating activities.

Net Asset Classes

The accompanying consolidated financial statements present information regarding the University's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions

Are subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions.

Cash and Cash Equivalents

Cash equivalents with a maturity of three months or less at date of purchase are reported as cash and cash equivalents. Cash equivalents held by investment custodians are reported within investments in the accompanying consolidated financial statements.

Investments

Investments are recorded at fair value in the consolidated statement of financial position. In determining fair value, the University uses various methods, including the market, income and cost approaches.

Investments in stocks, bonds and other fixed income securities are valued based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying fund managers and reviewed by the University after considering various sources of information.

Investments are recorded at estimated fair value. For investments made directly by the University whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. The University's interests in alternative investment funds such as fixed income, equities, hedged strategies, private capital, and real assets are reported at the net asset value (NAV) reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, the University has concluded, as a practical expedient, that the NAV approximates fair value.

Investments in real estate consist primarily of investment funds which invest in real estate partnerships as well as mortgages held by the University. Real estate funds are valued using NAV of the fund.

Investments are exposed to several risks, including interest rate, currency, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment transactions are accounted for on a trade date basis. Dividend income or expense is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Realized gains and losses are determined by the specific identification method for investments in investment funds and average cost for investments in securities.

Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the consolidated statement of activities net of related investment expenses. Investment return is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions, until amounts have been appropriated and the donor-imposed or regulatory time restrictions have been satisfied.

Fair Value Measurements

The University measures certain assets and liabilities that are recognized in the accompanying consolidated financial statements at fair value. The University determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2

Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other market-corroborated inputs.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Derivative Instruments

Certain derivative instruments, such as interest rate swap agreements, are used by the University. The University recognizes all derivative instruments as either assets or liabilities in the consolidated statement of financial position at their respective fair values. Changes in fair value of derivatives are recognized as a change in net assets without donor restrictions in the consolidated statement of activities.

The fair value of interest rate swap agreements is determined using pricing models developed based on the London Interbank Offered Rate (LIBOR) and other unobservable market data. The value was determined after considering the potential impact of collateralization and netting agreements, and adjusted to reflect nonperformance risk of both the counterparty and the University.

Property, Plant and Equipment

Property, plant and equipment consisting of land, improvements, buildings, equipment and library books are stated at cost, if purchased, or estimated fair value at the date of gift, net of accumulated depreciation. Depreciation is calculated using the straight-line method based on estimated useful lives of 30 to 50 years for buildings, 10 to 20 years for improvements, 5 to 10 years for equipment, and 10 years for library books.

Collections

The University's collections of historically significant artifacts, scientific specimens and art objects are held for education, research, scientific inquiry, and public exhibition. Their value is not reflected in the University's consolidated financial statements, as permitted by GAAP.

Revenue Recognition

Tuition and Fees

Student tuition and fees are recorded as revenue during the year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are categorized as deferred revenue and reported within accounts payable and other liabilities in the consolidated statement of financial position. Scholarship allowance provided by the University for tuition and fees are reflected as a reduction of tuition and fee revenue.

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted contribution revenue. Contributions of other assets are recorded at the estimated fair value at the date of gift. Unconditional pledges are recorded at the estimated present value on the date of the commitment, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met. At June 30, 2018, the fair value of the conditional pledges received by the University is indeterminable.

Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, the University is exempt from Federal income taxes to the extent provided under Section 501 of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements. The University accounts for uncertain tax positions, when applicable. No interest expense or penalties have been recognized as of and for the year ended June 30, 2018. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2014 and forward.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This ASU modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. In January 2017, FASB issued ASU 2017-02, *Not-for-Profit Entities - Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity,* was issued. This ASU further clarifies the consolidation guidance in ASU 2015-02, explaining the model to be used by not-for-profit entities to evaluate the consolidation of investments in limited partnerships and limited liability companies that are similar to limited partnerships. The University has retrospectively adopted these two updates. As a result, the University determined that the Richmond Fund is no longer required to be consolidated and the corresponding assets, liabilities, operating activities, and cash flow activities have been removed from these consolidated financial statements. The impact of the adoption was the reduction of total assets and total liabilities of $2.0 billion and $2.0 billion, respectively, as of June 30, 2017. There was no change in total net assets, changes in net assets, or net change in cash and cash equivalents from cash flows.

During 2018, the University adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profits Entities*. ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets as $866,452 and permanently restricted net assets of $392,431 for 2017. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location. The University elected early adoption of ASU 2016-14 in 2018 and applied the changes retrospectively.

Comparative Financial Information and Reclassifications

The consolidated financial statements include certain prior year information presented for comparative purposes, which does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2017, from which this information was derived. In addition, certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Subsequent Events

The University has evaluated subsequent events for potential recognition or disclosure in the June 30, 2018 consolidated financial statements through October 11, 2018, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2018, the University's endowment consisted of approximately 1,400 individual funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University has interpreted the Commonwealth of Virginia's enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, purposes, and durations for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the University and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the University;
7. The University's investment policies.

Spending Policy

The University's spending policy was developed with the objectives of meeting the current operating needs of the University, providing year-to-year budget stability and protecting the future purchasing power of the endowment assets against the impact of inflation.

Under normal circumstances, endowment spending will increase at a level of 3% per year above the previous year's spending rate. If, however, this amount exceeds 6% or is less than 4% of a three-year moving average of the market value of the endowment assets calculated on a one-year lagged basis, spending will be reduced to 6% or increased to 4% of the three-year moving average, respectively.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations. The primary investment objective is to earn an average annual real total return of at least 5% per year over the long term. Actual returns in any given year may vary from this amount. A secondary objective is to outperform, over the long term, a blended policy benchmark based on the current asset allocation policy. A third objective is to rank in the top quartile of the National Association of College and University Business Officers' reported endowment returns.

Strategies Employed for Achieving Objectives

To satisfy the return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University's asset allocation policy provides a diversified strategic mix of asset classes which emphasizes investments in equity and fixed income securities, hedge funds, private equity, real assets, real estate funds, and cash and produces the highest expected investment return within a prudent risk framework.

Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. At June 30, 2018, there were no significant deficiencies of this nature.

Endowment Net Assets at June 30 (in thousands)

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$ 1,253,498	—	1,253,498
Donor-restricted endowment funds			
Historical gift value	—	354,988	354,988
Accumulated gains	—	867,829	867,829
Beneficial interest in trusts	—	29,783	29,783
Total endowment net assets	**$ 1,253,498**	**1,252,600**	**2,506,098**

	2017		
	Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$ 1,188,897	—	1,188,897
Donor-restricted endowment funds			
Historical gift value	—	345,905	345,905
Accumulated gains	—	809,964	809,964
Beneficial interest in trusts	—	28,740	28,740
Total endowment net assets	**$ 1,188,897**	**1,184,609**	**2,373,506**

Changes in Endowment Net Assets (in thousands)

	2018			
	Without donor restrictions	**With donor restrictions**	**Total**	**2017 Total**
Beginning endowment net assets	$ 1,188,897	1,184,609	2,373,506	2,189,556
Investment return, net	122,673	115,041	237,714	285,867
Contributions	745	6,749	7,494	5,885
Appropriated for expenditure	(63,187)	(56,133)	(119,320)	(114,310)
Other changes				
Reinvested endowment income	4,025	2,115	6,140	7,497
Other adjustments	345	219	564	(989)
Ending endowment net assets	**$ 1,253,498**	**1,252,600**	**2,506,098**	**2,373,506**

3 Investments and Other Fair Value Measurements

Fair Value Measurements

The following tables show the estimated fair value of University investments as of June 30. Fair value measurements not valued using NAV as the practical expedient are categorized into a three-level hierarchy.

Fair Value of Investments by Level at June 30 (in thousands)

	2018				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash equivalents	$ 31,233	—	—	—	31,233
Corporate bonds & other fixed income	91,534	12,285	—	—	103,819
Common stock and preferred stock	1,038	—	—	—	1,038
Commingled funds	2,113	—	—	—	2,113
Alternative investments					
Credit	—	—	—	241,918	241,918
Global equity long-only	—	—	—	467,568	467,568
Global equity long/short	—	—	—	615,390	615,390
Multi-strategy	—	—	—	207,372	207,372
Private equity funds	—	—	—	555,461	555,461
Real assets	—	—	—	281,426	281,426
Real estate	—	—	—	89,957	89,957
Total investments	**$125,918**	**12,285**	**—**	**2,459,092**	**2,597,295**

	2017				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Corporate bonds & other fixed income	$ 55,577	13,669	45,071	—	114,317
Common stock and preferred stock	1,215	—	—	—	1,215
Commingled funds	1,897	—	—	—	1,897
Alternative investments					
Credit	—	—	—	189,024	189,024
Global equity long-only	—	—	—	429,309	429,309
Global equity long/short	—	—	—	565,895	565,895
Multi-strategy	—	—	—	216,024	216,024
Private equity funds	—	—	—	563,478	563,478
Real assets	—	—	—	244,453	244,453
Real estate	—	—	—	80,380	80,380
Total investments	**$ 58,689**	**13,669**	**45,071**	**2,288,563**	**2,405,992**

Alternative Investment Commitments and Redemption Information (in thousands)

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments				
Credit	$ 241,918	87,858	Daily to annually	60 – 150 days
Global equity long-only	467,568	10,000	Daily to rolling 3 year lock-up	30 - 90 days
Global equity long/short	615,390	31,500	Daily to rolling 3 year lock-up	45 - 90 days
Multi-strategy	207,372	36,122	Monthly to 3 years	30 - 90 days
Private equity funds	555,461	151,986	N/A	N/A
Real assets	281,426	111,622	N/A	N/A
Real estate	89,957	154,033	N/A	N/A
	$2,459,092	**583,121**		

Redemptions

Of the investments reported at NAV, approximately $866.9 million were redeemable at June 30, 2018. It is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value in secondary markets, such estimates of fair value may differ from values that would have been applied had a readily available market existed, and those differences could be material. It is possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and that discount could be significant.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. As such, these assets fall within level 3 of the hierarchy of fair value inputs, with changes resulting from net investment return of $1.0 million. Distributions from these trusts are recorded as investment return designated for current operations.

Derivatives

The University has four fixed interest rate swap agreements to convert variable interest rates on notes payable to fixed rates without exchanging the underlying principal amounts. These assets fall within level 3 of the hierarchy of fair value inputs. The University anticipates holding the interest rate swap agreements until the associated debt has been retired. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 2.09% at June 30, 2018.

Certain University derivative instruments contain provisions requiring that long term, unsecured debt be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. During the year ended June 30, 2018, the University's long term debt ratings exceeded these benchmarks. No collateral was required to be posted related to the University's interest rate swap agreements during the year ended June 30, 2018.

Derivatives (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2018	Fair Value Liability 2017	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (4,208)	(5,694)	1,486
June 1, 2031	3.744	30,000	(5,737)	(7,614)	1,877
August 1, 2034	4.000	25,000	(6,347)	(8,096)	1,749
November 1, 2036	3.744	10,000	(2,483)	(3,176)	693
			$ (18,775)	**(24,580)**	**5,805**

4 Pledges Receivable

Following is an analysis of the maturities of the University's unconditional pledges receivable as of June 30. Pledges receivable are donor restricted for specific purposes including endowment, capital activities, and programmatic support.

Pledges Receivable, net (in thousands)

	2018	2017
Unconditional pledges expected to be collected in:		
Less than one year	$ 5,026	5,936
One year to five years	5,182	4,870
	10,208	10,806
Less unamortized discount[1]	(419)	(314)
Less allowance for uncollectible amounts	(151)	(577)
	$ 9,638	**9,915**

[1]*Discount rates range from 1.4% to 3.8%*

5 Property, Plant and Equipment

Property, plant, and equipment, as shown in the consolidated statement of financial position, consisted of the following as of June 30:

Property, Plant and Equipment at June 30 (in thousands)		
	2018	2017
Land	$ 6,645	6,645
Buildings	511,896	479,421
Improvements	45,428	44,333
Equipment	95,637	94,154
Library books	82,866	80,028
Construction in progress	13,572	19,212
	756,044	723,793
Accumulated depreciation	(414,570)	(389,598)
	$ 341,474	**334,195**

6 Notes Payable

The University issued tax-exempt revenue bonds through the Virginia College Building Authority and taxable notes through a private placement with New York Life Insurance and Annuity Corporation. Proceeds were used to refinance existing debt as well as to construct, equip, or improve several capital projects on campus.

Principal balances, including unamortized premium amounts, were as follows at June 30:

Notes Payable (in thousands)		
	2018	2017
Tax-exempt fixed-rate		
Series 2011A, 3.50% - 5.00%, final maturity in 2023	$ 13,467	15,911
Series 2011B, 5.00%, final maturity in 2021	21,391	21,633
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,213	61,297
Tax-exempt variable-rate[1]		
Series 2004, 1.08%, final maturity in 2035	46,000	46,000
Series 2006, 1.00%, final maturity in 2037	55,900	55,900
Taxable fixed-rate		
Series 2015, 3.60%, final maturity in 2046	40,000	40,000
	$ 237,971	**240,741**

[1]*Variable rates for Series 2004 and Series 2006 notes reset weekly and daily, respectively. Interest rates shown reflect averages for the year ended June 30, 2018.*

Repayments of Notes Payable for Years Ending June 30 (in thousands)	
Years ending June 30:	
2019	$ 2,390
2020	2,495
2021	23,360
2022	2,745
2023	2,880
Thereafter	201,900
	235,770
Unamortized premium	2,201
	$ 237,971

The University has standby credit facilities to enable the University to repurchase tendered variable-rate debt in the event of a failed remarketing. Two diversified facilities totaling $101.9 million are available to the University solely for this purpose and may not be used for the operating or capital needs of the University. There were no draws against these standby credit facilities for the year ended June 30, 2018.

The University has a one-year revolving credit facility in the amount of $20.0 million to support timing differences within the operating cash portfolio. Interest on drawn amounts is calculated at the LIBOR daily floating rate plus 0.35%. Any unused outstanding credit balance incurs a fee of 0.10%. There were no draws against this facility for the year ended June 30, 2018.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.4 million, was $9.3 million for the year ended June 30, 2018.

7 Retirement Plans and Postretirement Benefits

The University has contributory defined contribution retirement annuity plans for academic and nonacademic employees. Contributions are based on a percentage of the employee's salary. The University contributed $10.8 million into these plans for the year ended June 30, 2018.

The University sponsors defined benefit health care plans that provide postretirement medical benefits to full time employees who meet minimum age and service requirements. These plans, which are closed to new participants, are not funded.

The University utilizes a measurement date of June 30. Net actuarial loss and prior service cost not yet recognized as a component of net periodic postretirement costs were $9.6 million at June 30, 2018. At June 30, 2018 and 2017, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 6.30% and 6.60%, respectively, and is assumed to decrease gradually to 4.50% by the year 2038 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2018 year would increase the postretirement liability by $1.0 million and increase the net periodic postretirement benefit cost by $0.2 million. At June 30, 2018 and 2017, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.25% and 3.80%, respectively.

For the nontaxable federal subsidy related to the postretirement benefit plan drug benefit, the University has determined actuarial equivalence of its plans. Therefore, the accumulated benefit obligation and the net periodic benefit cost reflect a reduction arising from this subsidy.

Changes in Postretirement Benefit Obligation (in thousands)

		2018	2017
Accrued postretirement benefit obligation at beginning of year	$	18,984	19,405
Service cost		664	668
Interest cost		701	680
Benefits paid		(1,041)	(1,051)
Actuarial gain		(2,112)	(718)
Accrued postretirement benefit obligation at end of year	**$**	**17,196**	**18,984**

Net Periodic Postretirement Benefit Cost (in thousands)

		2018	2017
Service cost	$	664	668
Interest cost		701	680
Amortization of unrecognized net loss		447	516
	$	**1,812**	**1,864**

Estimated Future Benefit Payments For Years Ended June 30 (in thousands)

2019	$	1,120
2020		1,129
2021		1,109
2022		1,143
2023		1,144
2024 – 2028		6,090

8 Composition of Net Assets

Net assets without donor restrictions include board designated endowments that are used to support general operations. Within the donor restricted endowments category, other programming consists of endowments restricted for specific programmatic purposes, including instruction; library support and materials; and athletics.

Composition of Net Assets at June 30 (in thousands)		
	2018	**2017**
Without donor restrictions		
Board designated endowments	$ 1,253,498	1,188,897
Other net assets without donor restrictions	117,238	99,448
Total without donor restrictions	**1,370,736**	**1,288,345**
With donor restrictions		
Donor restricted endowments		
Scholarships and fellowships	550,600	501,427
Professorships	235,141	219,751
Other programming	466,859	463,431
Purpose restricted and other	81,060	74,274
Total with donor restrictions	**1,333,660**	**1,258,883**
	$ 2,704,396	**2,547,228**

9 Expenses

The composition of expenses for the year ended June 30, 2018 is as follows:

Operating Expenses for the Year Ended June 30, 2018 (in thousands)					
	Compensation and benefits	**Materials and supplies**	**Services and other**	**Interest and depreciation**	**Total**
Instruction	$ 70,907	3,845	6,225	5,006	**85,983**
Research	2,494	403	1,441	663	**5,001**
Public service	1,985	315	703	722	**3,725**
Academic support and libraries	23,738	8,065	8,735	9,288	**49,826**
Student services	27,473	5,071	10,838	6,701	**50,083**
Institutional support	30,063	2,279	16,301	1,977	**50,620**
Auxiliary enterprises	15,750	13,730	8,254	12,247	**49,981**
Total operating expenses	**$ 172,410**	**33,708**	**52,497**	**36,604**	**295,219**

Program services are comprised of instruction, research, public service, academic support and libraries, student services, and auxiliary enterprises. Athletics expenses are included in student services. Supporting services includes institutional support. Fundraising expenses of $5.8 million are included in institutional support. The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities on a square footage basis.

10 Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board of Trustees. As further described in Note 6, the University may draw upon a revolving credit facility to manage cash flows. At June 30, 2018, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2018 (in thousands)	
Financial assets available for general expenditures within one year	
Cash and cash equivalents	$ 40,527
Operating investments	103,819
Liquidity resources	
Revolving credit facility	20,000

Additionally, the University has $1.3 billion in board-designed endowment, of which $866.9 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2019 spending from the endowment, which is estimated to be $124.1 million.

11 Related Party Transactions

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2018 were $17.6 million, of which $4.5 million was due to RFMC. RFMC earned a performance allocation of $2.8 million during the year ended June 30, 2018.

On January 28, 2008, the University entered into a blended rate of return agreement with the Richmond Fund. The purpose of the agreement is to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return prior to fees and expenses. The agreement requires settlement of the agreement at least once a calendar year. The University anticipates holding the agreement until termination of the Richmond Fund. At June 30, 2018 the University has a liability to the Richmond Fund in the amount of $41.8 million is included in accounts payable and other liabilities. The settlement value for the year ended June 30, 2018 totaled $27.3 million which has been recorded against investment return.

12 Contingencies and Commitments

Contingencies

From time to time, the University is involved in various legal proceedings in the normal course of operations. In management's opinion, the University is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, change in net assets, or liquidity of the University.

The University receives revenues under U.S. government funded grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. government. Recovery of indirect costs is based on predetermined rates negotiated with the U.S. government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the consolidated financial statements.

Commitments

The University is in the process of constructing, renovating and equipping certain facilities. The expected cost to complete construction in progress at June 30, 2018 was approximately $8.7 million.